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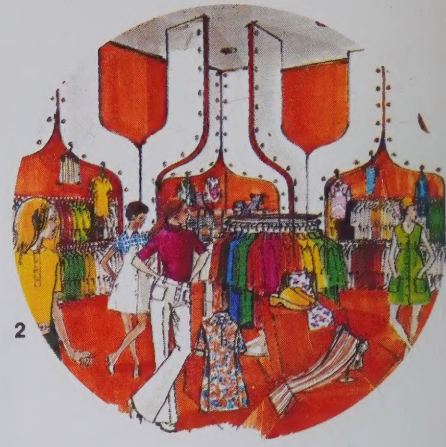
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Simpsons

Simpsons, Limited 1974 Annual Report



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3 exciting new Simpsons stores opened in 1974



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1. Simpsons Hillcrest Mall — opened on August 8, in Richmond Hill, Ontario. It is the Company's 17th Store, 8th in the Toronto area.

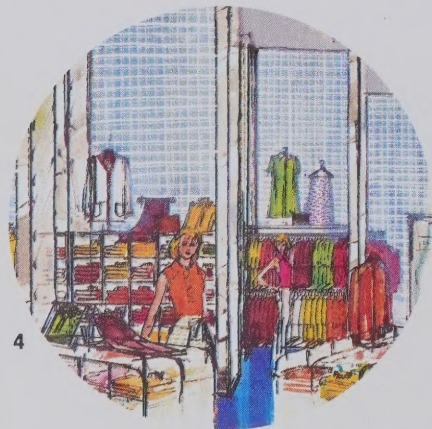
2. A view of the Girls' Shop in Simpsons Hillcrest Mall, one of the many bright and modern shops in the Store.

3. Simpsons le Carrefour Laval — the Company's 16th Store and 4th in the Montreal Area, opened on March 28, 1974.

4. Women's Sportswear in Simpsons le Carrefour Laval, one of the most striking areas in the Store.

5. A view of 'The Room' in Simpsons Windsor Store, the ultimate fashion shop in Southwestern Ontario.

6. Simpsons Windsor, one of the most beautiful stores in North America, opened on September 19, in the Devonshire Mall — the Company's 18th, and most recent Store.



4



5



6

DIRECTORS

William D. Allport
 Thomas J. Bell, M.C.
 G. Allan Burton, D.S.O., E.D., LL.D.
 Betty Kennedy
 Alfred Powis, LL.D.
 Ian D. Sinclair, Q.C., LL.D.
 James M. Tory, Q.C.

THE SIMPSON TOWER
 401 Bay Street, Toronto, Canada
 M5H 3K2

HEAD OFFICE

Simpsons
 102nd YEAR

OFFICERS

G. Allan Burton, D.S.O., E.D., LL.D.
*Chairman of the Board and
 Chief Executive Officer*

Charles B. Stewart
President

Charles L. Gundy, LL.D.
Vice-President

William D. Allport
Vice-President and Comptroller

Edgar G. Burton
Vice-President, Toronto Area

Ronald J. Crichton
Vice-President, Operating

Kenneth W. Kernaghan, Q.C.
Vice-President and Secretary

Elmer L. Rounding
Vice-President, Planning and Development

Douglas R. Steele
Vice-President, Merchandising

A. Ernest Wilkes
Vice-President and Treasurer

Ian M. Gibson
Assistant Treasurer

Ronald L. Radley
Assistant Secretary

DEPARTMENT STORES

TORONTO AREA
 Downtown
 Yorkdale
 Cedarbrae
 Fairview
 Sherway
 Brampton
 Scarborough
 Richmond Hill

MONTREAL AREA
 Downtown
 Fairview-Pointe Claire
 Les Galeries d'Anjou
 Le Carrefour Laval

HALIFAX AREA
 Chebucto Road
 Micmac-Dartmouth

REGINA
 Downtown

LONDON
 Downtown

KITCHENER
 Fairview Park
Opening in 1975

WINDSOR
 Devonshire Mall
Opening in September 1974

REGISTRARS

THE ROYAL TRUST COMPANY
 Toronto and Montreal

CANADA PERMANENT TRUST COMPANY
 Halifax, Winnipeg and Calgary

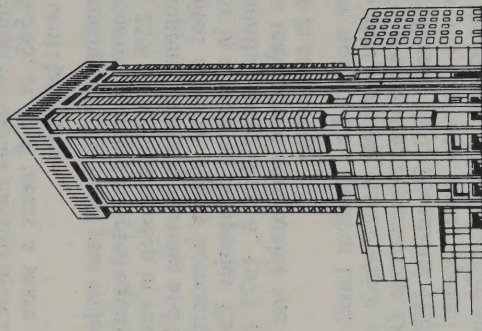
THE CANADA TRUST COMPANY
 Vancouver

TRANSFER AGENTS

NATIONAL TRUST COMPANY, LIMITED
 Toronto and Montreal

CANADA PERMANENT TRUST COMPANY
 Halifax, Winnipeg and Calgary

THE CANADA TRUST COMPANY
 Vancouver

**INTERIM****REPORT TO SHAREHOLDERS**

FOR SIX MONTHS ENDED JULY 3, 1974

SIMPSONS, LIMITED

THE SIMPSON TOWER
 TORONTO, CANADA
 M5H 3K2

TO THE SHAREHOLDERS:

Sales for the six months totalled \$208,146,000, an increase of 11.2% over the same period in 1973. Second quarter sales developed a strong trend running 13.5% ahead of 1973 and, as there is no evidence of a slackening in consumer demand, we are expecting the strong sales trend to continue through the remainder of the year.

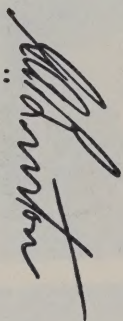
Net earnings for the six months increased 18.8% to \$7,886,563, or 16.8 cents a share compared with 14.3 cents last year.

Commencing with the fiscal year ended January 2, 1974 Simpsons, Limited adopted equity accounting for its 25% to 50% ownership in various joint venture shopping centre companies and Simpsons-Sears Limited adopted equity accounting for its investments in associated companies. Earnings for the six months ended July 4, 1973 have been restated to make them comparable and to reflect this change in accounting.

Our new store in Le Carrefour Laval, Montreal (fourth in the Montreal Area), which opened in March 1974, is exceeding expectations. Our newest store in Hillcrest Mall, Richmond Hill, Ontario (eighth in the Toronto Area) opened to large crowds of shoppers on August 8, 1974 and has had an excellent reception.

A 180,000 square foot store will open in Devonshire Mall, Windsor, Ontario in September. This will bring our total stores to eighteen.

In October a new multi-million dollar Heavy Goods Distribution Centre of 470,000 square feet will open in Scarborough in the Toronto Area. This will be one of the most modern computerized facilities on the continent and will serve not only present stores but several future stores in the expanding Toronto and Ontario markets.



Chairman of the Board
and Chief Executive Officer

August 14, 1974

SIMPSON'S, LIMITED AND SUBSIDIARY COMPANIES

INTERIM CONSOLIDATED STATEMENT OF EARNINGS

Six months ended

	July 3, 1974	July 4, 1973 (Restated)
Net sales	\$208,146,192	\$187,262,207
Rentals and other income	1,746,197	1,392,087
Earnings from operations, before income taxes	6,070,322	4,918,841
Federal and provincial income taxes	2,972,180	2,448,780
Equity in net earnings of Simpsons-Sears Limited (dividends received 1974 - \$2,940,000; 1973 - \$2,233,684) ..	4,397,929	3,887,171
Equity in net earnings of joint venture shopping centre companies ...	390,492	282,780
Net earnings	7,886,563	6,640,012
Net earnings per share	16.8 cents	14.3 cents

Subject to year-end audit and adjustments

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Six months ended

	July 3, 1974	July 4, 1973 (Restated)
SOURCE OF FUNDS:		
From operations:		
Net earnings	\$7,886,563	\$6,640,012
Provision for depreciation	2,214,775	1,978,996
Write-off on departmental improvements	1,778,191	1,542,614
Amortization of long term prepaid rent	27,641	5,520
Amortization of debenture discount and expense	86,101	35,073
Equity in undistributed net earnings of Simpsons-Sears Limited and joint venture shopping centre companies	(1,848,421)	(1,936,267)
	10,144,850	8,265,948

Non-current accounts receivable	112,194	220,446
Common shares issued under Employees' Stock Option Plans	17,831	3,864,965
Proceeds from sale of debentures	14,860,127	24,794,975
Investments and advances	125,621	—
Net book value of fixed assets disposals	41,426	299,783
	25,302,049	37,446,117

APPLICATION OF FUNDS:

Additions to fixed assets	6,611,406	3,974,173
Expenditures on departmental improvements	2,944,197	2,357,371
Investments and advances	1,076,490	4,075,518
Loans to a Trustee under Employees' Stock Purchase Plan	18,725	3,884,339
Retirement of long term debt	1,727,000	785,000
Dividends on common shares	4,694,092	4,280,166
	17,071,910	19,356,567
Increase in working capital	8,230,139	18,089,550
Working capital at beginning of period	134,027,761	115,228,375
Working capital at end of period	\$142,257,900	\$133,317,925

Subject to year-end audit and adjustments

Simpsons, Limited
and Subsidiary Companies

Highlights

	1974 (53 weeks)	1973 (52 weeks)
Net sales	\$494,919,635	\$436,044,280
Earnings from operations	10,963,190	10,463,750
Equity in net earnings of Simpsons-Sears Limited	14,227,095	12,544,254
Equity in net earnings of joint venture shopping centre companies	926,710	565,560
Earnings before non-recurring profit	26,116,995	23,573,564
Per share	55.6¢	50.5¢
Net earnings including non-recurring profit	27,222,695	23,573,564
Per share	58.0¢	50.5¢
Dividends paid	9,388,339	8,970,072
Contributions to Simpsons Profit Sharing Retirement Fund and Canada and Quebec pension plans	3,195,910	2,929,715
Expenditures for fixed assets including departmental improvements	26,458,290	16,880,059
Provision for depreciation	4,550,420	4,074,709
Write-off on departmental improvements	3,689,292	3,252,654

Earnings per share are based on weighted average number of shares outstanding during the year.

Directors

William D. Allport 3
Jack C. Barrow
Thomas J. Bell, M.C.
Edgar G. Burton
G. Allan Burton, D.S.O., E.D., LL.D. ✓
Charles L. Gundy, LL.D.
Betty Kennedy ✓
John C. Porter
Alfred Powis, LL.D.
Elmer L. Rounding
Ian D. Sinclair, Q.C., LL.D. ✓
Charles B. Stewart ✓
James M. Tory, Q.C. ✓
William P. Wilder ✓

Officers

G. Allan Burton, D.S.O., E.D., LL.D., *Chairman of the Board and Chief Executive Officer*
Charles B. Stewart, *President*
Charles L. Gundy, LL.D., *Vice-President*
William D. Allport, *Vice-President and Comptroller*
Edgar G. Burton, *Vice-President, Corporate Affairs*
Ronald J. Crichton, *Vice-President, Operating*
Kenneth W. Kernaghan, Q.C., *Vice-President and Secretary*
Elmer L. Rounding, *Vice-President, Planning and Development*
Douglas R. Steele, *Vice-President, Merchandising*
A. Ernest Wilkes, *Vice-President and Treasurer*
Ian M. Gibson, *Assistant Treasurer*
Ronald L. Radley, Q.C., *Assistant Secretary*

Head Office

The Simpson Tower,
401 Bay Street, Toronto, Ontario M5H 3K2

Transfer Agents

National Trust Company, Limited, *Toronto and Montreal*
Canada Permanent Trust Company,
Halifax, Winnipeg and Calgary
The Canada Trust Company, *Vancouver*

Registrars

The Royal Trust Company, *Toronto and Montreal*
Canada Permanent Trust Company,
Halifax, Winnipeg and Calgary
The Canada Trust Company, *Vancouver*

Directors' Report to the Shareholders:

Sales and Profits

During 1974 the accumulated wisdom and experience of 102 years in the retail business in Canada helped Simpsons make further progress in this unusually difficult year.

In spite of sharply rising costs which included wages and high interest rates, earnings from operations showed an increase of a half a million dollars over the previous year, while net earnings, including a non-recurring profit of 2.4¢ per share, were 58.0¢ per share, compared with 50.5¢.

Sales increased by 13.5% or \$58,875,000 in the year under review.

Together with Simpsons-Sears Limited, which is more fully reported on pages 14 and 15, our combined sales across Canada have increased from 200 million dollars in 1952 to 1.84 billion dollars in 1974—a rate of growth exceeding most.

Expansion and Development

We opened three new stores in 1974 — Laval, Quebec and Richmond Hill and Windsor in Ontario, the latter two in shopping centres which also contain a Simpsons-Sears store as a major tenant at the opposite end of the mall. This innovation is a further modification of the original Simpsons, Limited, Sears, Roebuck and Co. agreement of 1952 which defined exclusive areas for each of Simpsons and Simpsons-Sears. In 1975 Simpsons will open a new store in Kitchener, Ontario in Fairview Park which also contains an existing Simpsons-Sears store.

To avoid confusion in the media, Simpsons-Sears stores are now known only as Sears. There is no change in the equal ownership of Simpsons-Sears Limited by Simpsons, Limited and Sears, Roebuck and Co. The use of the name Sears on stores and service vehicles is merely for convenience and to make a further distinction between the Simpsons and the Sears stores. We both benefit from the close cooperation and expertise of the merchants and operating personnel of both companies.

Our long range plans have been reviewed and some priorities changed in view of the uncertainty of economic conditions. Generally projects previously planned for the 1975-1977 period have been rescheduled for 1976-1978. We will take the opportunity afforded by the slowdown in development activity to replan and refurbish our existing stores.

Our Fairview-Pointe Claire store will be expanded by one-third to approximately 180,000 square feet and



Charles B. Stewart
President

G. Allan Burton
Chairman of the Board

refurbished, to be completed in 1976. This addition to the Fairview-Pointe Claire Shopping Centre, in which Simpsons has a 50% interest, will further strengthen our position in the west end of the Island of Montreal, Quebec. The previously announced extension of the downtown Montreal store will be delayed until 1977 due to necessary replanning of the project to accommodate new requirements.

The Simpsons Mall owned equally by Simpsons and Sobeys, which links our main Halifax store facing on Mumford Road to a new Sobeys Supermarket and twenty-eight tenant stores, will open on August 1, 1975. It is fully leased. This development also provides Simpsons with 100,000 square feet of modern warehousing to service the Halifax-Dartmouth area. We intend to refurbish the home furnishings area of our store adjoining the Mall.

During the year Simpsons built and equipped at a cost of \$11,000,000 one of the most modern computerized heavy goods merchandise distribution buildings on the continent. This sophisticated 470,000 square foot building in Scarborough, Ontario is called the Metropolitan Road Service Building and its 12,700,000 cubic foot capacity will service the ever-growing number of Simpsons stores in Ontario. The present 680,000 square foot Lawrence Avenue Service Building, Toronto is being converted at a cost of over \$3,000,000 to a central receiving, marking and distribution operation which will serve all of the Toronto area fashion and soft goods departments. It is notable that both of these complex service operations have been conceived and designed by our own staff of experts.

Forecasts

We look on 1975 as a difficult and very competitive year but one in which real growth of about 3% should be accomplished. Consumer spending will be bolstered by strong gains in personal disposable income despite rising unemployment. Personal savings are high and increased

government transfer payments, lower interest rates and proposed tax reductions will all help sustain consumer expenditures.

While to some extent 1975 will be a year of consolidation and refurbishing after the hectic pace of expansion of the past few years, our time will be well spent in planning and developing facilities to handle the large volume of business to come. To this end we are increasing management training and sending more of our management people on outside courses than ever before to ensure that our continuing management expertise and organization planning remain on the highest level.

Mr. E. G. Burton, a Director of Simpsons, Limited and formerly Vice-President, Toronto Area, has been appointed Vice-President, Corporate Affairs and is taking a course in Advanced Management at Harvard Business School. This three and one-half month course is the senior course of its type on the continent. Mr. Burton's new responsibility of corporate affairs will encompass internal organization as well as all areas of liaison with governmental, business and community groups to ensure our continued leadership as a good corporate citizen.

Director and Management Changes

Mr. J. C. Porter, a Director of Simpsons, Limited and formerly Vice-Chairman of the Board, will not stand for re-election. Mr. Porter has made a most valuable and noteworthy contribution to Simpsons success over more than forty years, principally in advertising sales promotion and as an Officer and Director of the Company. We would like to record our deep appreciation of his efforts.

Mr. J. Michael G. Scott has agreed to allow his name to stand for election to the Board.

Mr. K. S. Clark has been appointed General Manager, Toronto Area. He was formerly General Manager, Montreal Area.

Mr. I. C. McSweeney has been appointed General Manager, Montreal Area. He was formerly General Merchandise Manager, Montreal Area.

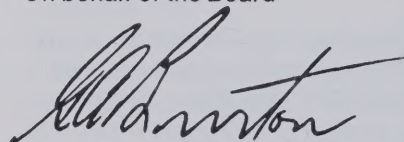
Employee Benefits

Simpsons always has been a leader in providing the finest employee benefits and we always have had a high degree of loyalty in return. We have 2874 members in our Twenty-Five Year Club. We adopted profit sharing in 1919 and this and stock options, to mention just two of our

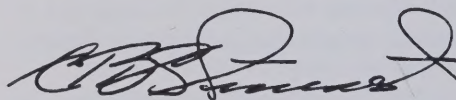
benefits, have played a major part in our growth and success. We always have felt that a sense of proprietorship was of prime importance to employees in an industry serving the public. We are determined to continue to insist on the highest standards of performance and to reward our employees accordingly.

We record our deep appreciation of the fine work of our employees and the support of our suppliers in providing the special brands and values in merchandise and service that make Simpsons unique.

On behalf of the Board



Chairman of the Board and
Chief Executive Officer



President

March 14, 1975

Simpsons, Limited
and Subsidiary Companies

**Consolidated
Statement
of Earnings**

	Fiscal year ended January 8, 1975 (53 weeks)	Fiscal year ended January 2, 1974 (52 weeks)
Net sales	\$494,919,635	\$436,044,280
Rentals and other income	3,260,391	2,878,282
	498,180,026	438,922,562
Deduct:		
Cost of merchandise sold and all expenses, except items shown below	441,809,651	389,199,112
Provision for depreciation	4,550,420	4,074,709
Write-off on departmental improvements	3,689,292	3,252,654
Interest on long term debt, including amortization of discount and expense	11,657,007	9,534,359
Other interest	2,098,327	1,708,779
Municipal realty and business taxes	8,436,229	7,389,484
Contribution to Simpsons Profit Sharing Retirement Fund	1,813,360	1,790,681
Contributions to Canada and Quebec pension plans	1,382,550	1,139,034
	475,436,836	418,088,812
Earnings from operations before income taxes	22,743,190	20,833,750
Provision for income taxes:		
Current	10,233,000	8,984,000
Deferred	1,547,000	1,386,000
	11,780,000	10,370,000
Earnings from operations	10,963,190	10,463,750
Equity in earnings of Simpsons-Sears Limited (dividends received 1974—\$6,020,000; 1973—\$5,033,684) (Note 3)	14,227,095	12,544,254
Equity in earnings of joint venture shopping centre companies (dividends received 1974—nil; 1973—\$500,000)	926,710	565,560
Earnings before extraordinary item	26,116,995	\$ 23,573,564
Non-recurring profit (Note 4)	1,105,700	—
Net Earnings for the Fiscal Year	\$ 27,222,695	\$ 23,573,564
Earnings per share before extraordinary item	55.6¢	50.5¢
Net earnings per share	58.0¢	50.5¢

**Consolidated Statement
of Retained Earnings**

Balance at beginning of year	\$181,063,225	\$161,642,460
Adjustments for cumulative effect on prior years of accounting changes applied retroactively in 1973	—	3,780,351
	181,063,225	165,422,811
Net earnings for the fiscal year	27,222,695	23,573,564
Increase in equity in Simpsons-Sears Limited on issue by that company of additional Class A shares (Note 3)	470,231	1,036,922
	208,756,151	190,033,297
Dividends on common shares (1974—20.0 cents per share; 1973—19.2 cents per share)	9,388,339	8,970,072
Balance at end of year	\$199,367,812	\$181,063,225

Simpsons, Limited
and Subsidiary Companies

**Consolidated
Balance Sheet**

Assets	January 8, 1975	January 2, 1974
Current Assets:		
Cash	\$ 1,829,536	\$ 1,108,516
Accounts receivable (Note 2)	144,805,779	136,733,146
Inventories	87,858,272	66,349,615
Prepaid expenses	4,667,734	3,354,950
	<u>239,161,321</u>	<u>207,546,227</u>
Investments and Other Assets:		
Simpsons-Sears Limited (Note 3)	112,754,912	104,077,586
Other investments and advances (Note 4)	12,474,122	14,054,297
Loans to a Trustee under Employees' Stock Purchase Plan (Note 7)	4,102,635	4,091,528
Accounts receivable (Note 2)	1,427,303	1,394,145
	<u>130,758,972</u>	<u>123,617,556</u>
Fixed Assets:		
Land and buildings	129,020,052	116,219,473
Equipment and fixtures	44,099,213	40,695,455
	<u>173,119,265</u>	<u>156,914,928</u>
Less accumulated depreciation	46,409,213	44,579,130
	<u>126,710,052</u>	<u>112,335,798</u>
Departmental improvements, less amounts written off	18,923,773	15,170,993
	<u>145,633,825</u>	<u>127,506,791</u>
Unamortized Debenture Discount and Expense	<u>1,557,668</u>	<u>1,578,382</u>
	<u>\$517,111,786</u>	<u>\$460,248,956</u>

Liabilities**January 8, 1975****January 2, 1974****Current Liabilities:**

Demand and short term notes (Note 5)	\$ 28,195,088	\$ 22,654,000
Accounts payable	40,498,520	30,944,992
Accrued wages, rent, interest, etc.	15,441,257	11,701,484
Customers' deposit accounts	994,438	1,080,224
Income and other taxes	11,093,259	4,662,907
Contribution payable to Simpsons Profit Sharing Retirement Fund	1,813,360	1,790,681
Principal payments on long term debt due within one year (Note 6)	—	758,000
	<u>98,035,922</u>	<u>73,592,288</u>

Long Term Debt (Note 6)**154,152,000****141,606,000****Deferred Income Taxes****12,293,000****10,746,000****264,480,922****225,944,288****Shareholders' Equity****Capital Stock:**

Common shares (Note 7)

Authorized—60,000,000 shares without nominal or par value

Issued—46,942,850 shares (January 2, 1974—46,938,619 shares)

36,408,427**36,386,818****Retained Earnings****199,367,812****181,063,225****Appraised Value of Land and Buildings in Excess of
Depreciated Book Value on July 31, 1952****16,854,625****16,854,625****252,630,864****234,304,668****\$517,111,786****\$460,248,956**

Approved on behalf of the Board:

G. A. Burton, Director

C. L. Gundy, Director

Simpsons, Limited
and Subsidiary Companies

**Consolidated
Statement
of Changes
in Financial
Position**

	Fiscal year ended January 8, 1975 (53 weeks)	Fiscal year ended January 2, 1974 (52 weeks)
Sources of Working Capital:		
Earnings before extraordinary item	\$ 26,116,995	\$ 23,573,564
Non-cash charges deducted in arriving at earnings, principally depreciation, write-off on departmental improvements and deferred income taxes	9,945,800	8,831,867
Equity in undistributed earnings of Simpsons-Sears Limited and joint venture shopping centre companies	(9,133,805)	(7,576,130)
Funds provided from operations	26,928,990	24,829,301
Sale of investment, less income taxes	6,105,700	—
Non-current accounts receivable	(33,158)	1,168,385
Common shares issued (Note 7)	21,609	4,271,425
Disposals of fixed assets	91,544	543,603
Proceeds from sale of debentures	14,861,626	24,791,379
	47,976,311	55,604,093
Applications of Working Capital:		
Additions to fixed assets	19,016,218	12,070,170
Expenditures on departmental improvements	7,442,072	4,809,889
Additional investment in Simpsons-Sears Limited shares	—	2,803,444
Other investments and advances	2,493,115	2,178,604
Loans to a Trustee under Employees' Stock Purchase Plan (Note 7)	11,107	4,091,528
Retirement of long term debt	2,454,000	1,881,000
Dividends on common shares	9,388,339	8,970,072
	40,804,851	36,804,707
Resulting in an increase in working capital of	\$ 7,171,460	\$ 18,799,386
Working capital at end of year	\$141,125,399	\$133,953,939

Simpsons, Limited and Subsidiary Companies

Notes to Consolidated Financial Statements

1. Summary of Accounting Policies:

Principles of consolidation: The consolidated financial statements include the accounts of Simpsons, Limited and all subsidiary companies.

Inventories: Inventories are valued at the lower of approximate cost and realizable value. Cost is determined for retail store inventories on a first-in, first-out basis applied by the retail inventory method, and for supplies and miscellaneous inventories on a first-in, first-out or average cost basis applied by individual items.

Investments: The investment in Simpsons-Sears Limited is carried at cost plus equity in undistributed earnings. The equity method of accounting has also been applied to 25% to 50% ownership interests in joint venture shopping centre companies. Other investments are carried at cost.

Fixed assets: Fixed assets are stated at cost except for land and buildings included at 1952 appraised values of \$34,920,390. Depreciation provided on the buildings has reduced the net depreciated book value of the appraised land and buildings to \$24,286,928 at January 8, 1975.

Depreciation provisions are computed by the straight-line method at rates based on the estimated useful lives of the depreciable assets. Departmental improvements are written off over their estimated useful lives.

Unamortized debenture discount and expense: Debenture discount and expense are amortized by the reducing balance method or by the straight-line method, as applicable, to the due dates of the respective debentures.

Profits on instalment sales: Profits on instalment sales are taken into earnings at the time of sale. The service charges are taken into earnings, and included in net sales, as earned.

Income taxes: Income taxes are accounted for on the tax allocation method whereby income taxes are fully provided on reported earnings at current tax rates. Reported earnings differ from taxable income because of timing differences, principally depreciation which under income tax legislation currently exceeds the depreciation provided in the financial statements.

2. Accounts Receivable:

	January 8 1975	January 2 1974
Customer instalment accounts	\$114,531,494	\$106,688,260
Charge and other customer accounts	31,961,842	33,868,133
Miscellaneous accounts	5,546,153	3,151,720
	<u>152,039,489</u>	<u>143,708,113</u>
Less allowance for doubtful accounts	5,806,407	5,580,822
	<u>146,233,082</u>	<u>138,127,291</u>
Non-current accounts receivable	1,427,303	1,394,145
	<u>\$144,805,779</u>	<u>\$136,733,146</u>

In accordance with recognized trade practices, instalment accounts receivable include amounts which will not become due within one year. However, other accounts receivable not expected to be collected within one year, arising from large scale contracts of the Contract Division, have been classified as non-current accounts receivable. For the most part the Contract Division is engaged in furnishing and equipping institutional and commercial premises.

3. Simpsons-Sears Limited:

The investment in Simpsons-Sears Limited, representing 41.3% of the outstanding shares of that company, is carried at cost plus equity in undistributed earnings. Simpsons, Limited equity in the earnings of Simpsons-Sears Limited for each fiscal year is included in the earnings of Simpsons, Limited for the corresponding fiscal year.

Simpsons, Limited and Sears, Roebuck and Co., each owns an equal number of the voting shares of Simpsons-Sears Limited while the non-voting Class A shares are owned by other shareholders. The issue of additional Class A shares by Simpsons-Sears Limited at an amount per share in excess of book value increases Simpsons, Limited equity in Simpsons-Sears Limited. Such increases are credited to retained earnings.

See page 15 for summarized financial information on Simpsons-Sears Limited.

4. Other Investments and Advances:

	January 8 1975	January 2 1974
Shares in public companies (quoted market value January 8, 1975— \$2,625,000; January 2, 1974— \$10,188,000)	\$ 1,973,442	\$ 6,973,442
Shares in and advances to joint venture shopping centre companies	3,974,142	2,653,230
Long term prepaid rent	2,781,514	1,426,803
Miscellaneous	3,745,024	3,000,822
	<u>\$12,474,122</u>	<u>\$14,054,297</u>

Notes to Consolidated Financial Statements

On the sale in 1974 of the investment in shares of a public company Simpsons, Limited realized a profit of \$1,105,700 after applicable income taxes of \$394,300.

5. Demand and Short Term Notes:

These notes include demand notes of \$6,770,000 at January 8, 1975 (nil at January 2, 1974) payable to banks.

6. Long Term Debt:

	January 8, 1975	January 2, 1974
Simpsons, Limited Debentures—		
5 % Series B due December 1, 1976	\$ 91,000	\$ 111,000
5½ % Series C due September 15, 1979	82,000	82,000
5¾ % Series D due February 1, 1984	8,683,000	9,133,000
5¾ % Series E due July 15, 1985	11,059,000	11,659,000
6½ % Series F due March 15, 1987	10,927,000	11,379,000
9½ % Series G due December 15, 1989	13,310,000	15,000,000
8¾ % Series H due June 1, 1993	25,000,000	25,000,000
9½ % Series I due February 15, 1994	15,000,000	—
	84,152,000	72,364,000
Less principal payments due within one year	—	758,000
	84,152,000	71,606,000
Simpsons Acceptance Company Limited Secured Debentures —		
6 % Series B due May 15, 1981	15,000,000	15,000,000
5½ % Series C due June 15, 1982	10,000,000	10,000,000
5¾ % Series D due April 1, 1984	10,000,000	10,000,000
6¾ % Series E due June 15, 1986	10,000,000	10,000,000
8¾ % Series F due March 15, 1992	10,000,000	10,000,000
8¾ % Series G due December 15, 1992	15,000,000	15,000,000
	70,000,000	70,000,000
	\$154,152,000	\$141,606,000

Principal payments required subsequent to January 8, 1975 for the fiscal years shown are as follows: 1975—nil; 1976—\$1,695,000; 1977—\$2,625,000; 1978—\$3,876,000 and 1979—\$6,031,000.

7. Capital Stock:

Under the terms of the Employees' Stock Option Plan 4,231 common shares were issued during the fiscal year ended January 8, 1975 for \$21,609. The Employees' Stock Option Plan provides that the option price shall be the market price of the shares on the day immediately preceding the date of grant and that the options may not be exercised later than ten years from date of grant.

Outstanding options at January 8, 1975 were as follows:

Date options granted	Option price per share	Officer directors and other officers	Other employees	Total
April 1965	\$4.67	—	20,874	20,874
January 1969	5.54	—	51,166	51,166
February 1971	6.21	25,800	—	25,800
		25,800	72,040	97,840

On January 19, 1973 the Board of Directors authorized a Stock Purchase Plan under which Simpsons, Limited made interest-free loans to a Trustee which in turn made interest-free loans to employees to enable them to purchase shares, and to repay loans arranged subsequent to June 1971 for the purchase of shares, under the Employees' Stock Option Plan. Such loans to employees are repayable on or before January 2, 1979 and are secured by deposit with the Trustee of shares of Simpsons, Limited having a market value at the date the optioned shares were purchased equivalent to 133⅓ % of each loan.

8. Commitments and Contingent Liabilities:

- The unfunded obligation for past service on the non-contributory pension plan, estimated by independent actuaries to be approximately \$14,159,000 at January 8, 1975, is to be amortized by annual payments through 1989.
- Annual rentals under long term leases amount to approximately \$4,500,000.
- Simpsons, Limited has guaranteed \$1,750,000 of a note payable by Les Galeries d'Anjou Limitée, a 50% owned shopping centre company. An equal amount of the note payable has been guaranteed by the other 50% owner of the company.
- Simpsons, Limited and Hudson's Bay Company, part owners of Woodbine-Sheppard Shopping Centre Limited, have jointly and severally agreed to meet all payments of interest and principal on its \$17,106,000 principal amount of Bonds. Cemp Investments Ltd., the other part owner of the company, has agreed to make available 50% of all funds which Simpsons, Limited and Hudson's Bay Company may be called upon to provide under their agreements.

9. Capital Expenditures:

Capital expenditures during the fiscal year ending January 7, 1976 are estimated at \$12,000,000 for the completion of construction in progress and other authorized and proposed additions to fixed assets.

10. Remuneration of Directors and Officers:

For the fiscal year ended January 8, 1975 the fourteen directors and one past director received aggregate remuneration as directors of \$50,197 (1973—fourteen directors and two past directors, \$58,275). The aggregate remuneration of the eleven officers and four past officers was \$1,164,580 (1973—eleven officers and three past officers, \$1,207,448). Six officers served also as directors. The total remuneration of directors and officers is paid by The Robert Simpson Company Limited, a subsidiary of Simpsons, Limited, and partly distributed to other operating subsidiaries.

Auditors' Report:

To the Shareholders of
Simpsons, Limited:

We have examined the consolidated balance sheet of Simpsons, Limited and subsidiary companies as at January 8, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

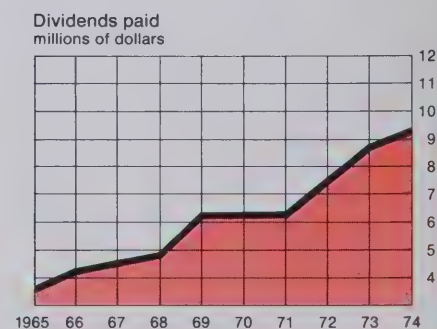
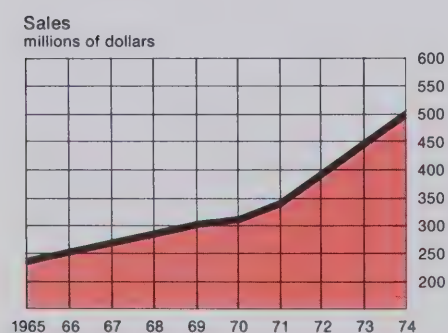
In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 8, 1975 and the results of their operations and the changes in their financial position for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.
Chartered Accountants
Toronto, March 14, 1975

Simpsons, Limited
and Subsidiary Companies

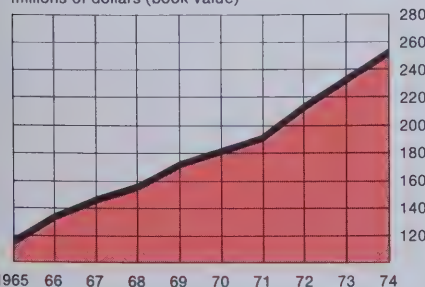
**Ten Years
in Review**

	1974†	1973
Operating Results (in thousands)		
Net sales	\$494,920	\$436,044
Provision for depreciation	4,550	4,075
Write-off on departmental improvements	3,689	3,253
Interest charges	13,755	11,243
Income taxes	11,780	10,370
Earnings from operations	10,963	10,464
Dividends from Simpsons-Sears Limited	6,020	5,034
Equity in undistributed net earnings of Simpsons-Sears Limited	8,207	7,511
Equity in net earnings of joint venture shopping centre companies	927	566
Net earnings	26,117*	23,574
Dividends paid	9,388	8,970
Financial Position (in thousands)		
Working capital	141,125	133,954
Land, buildings and equipment (after depreciation)	126,710	112,336
Total assets	517,112	460,249
Funded debt	154,152	141,606
Shareholders' equity	252,631	234,305
Per Common Share (adjusted for stock splits)		
Net earnings per share on weighted average number of shares outstanding during the year (in cents)	55.6*	50.5
Dividends paid per share (in cents)	20.0	19.2
Ratios and Statistics		
Ratio of current assets to current liabilities	2.4-1	2.8-1
Number of shares issued	46,942,850	46,938,619
Number of shareholders	15,344	14,546
Approximate price range per common share	9¼-5¼	11½-7½
*Excluding non-recurring profit †53 weeks		

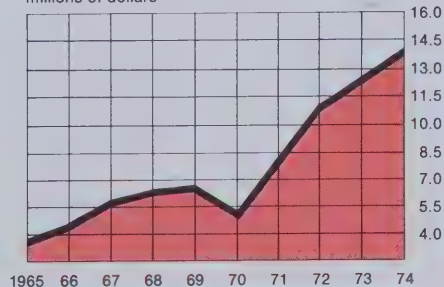


1972	1971	1970	1969	1968†	1967	1966	1965
\$392,889	\$335,197	\$302,535	\$300,579	\$276,303	\$259,446	\$248,022	\$231,715
3,873	3,723	3,336	3,081	2,599	2,331	2,198	2,004
2,970	2,845	2,375	2,169	1,865	1,823	1,846	1,766
8,494	7,553	7,515	7,106	6,647	6,236	5,892	4,831
10,830	8,890	8,410	9,570	9,090	8,650	7,750	7,300
11,985	9,289	7,319	8,158	7,825	8,041	7,271	6,807
3,293	3,168	3,168	3,036	2,574	2,088	1,800	1,800
7,829	4,774	1,993	3,475	3,636	3,457	2,658	2,103
510	—	—	—	—	—	—	—
23,617*	17,231	12,479	14,669*	14,035*	13,585*	11,729	10,710
7,292	6,106	6,095	6,041	4,802	4,471	4,272	3,794
115,184	102,911	104,948	111,606	93,940	94,237	84,801	79,378
104,884	97,932	97,031	89,364	86,745	80,046	71,873	66,846
417,583	357,049	335,800	323,484	310,751	285,855	266,028	245,977
118,487	95,084	102,496	105,456	94,108	95,874	82,595	81,785
214,393	191,834	179,102	171,326	159,230	145,530	133,728	117,370
51.3*	37.6	27.3	32.4*	31.2*	30.4*	27.7	25.7
15.8	13.3	13.3	13.3	10.7	10.0	10.0	9.1
2.5-1	2.7-1	3.3-1	3.8-1	2.8-1	3.3-1	2.8-1	2.8-1
46,156,233	45,931,119	45,726,450	45,679,458	45,082,728	44,949,012	44,605,230	42,017,802
11,553	10,995	10,887	10,426	8,829	8,862	9,027	8,357
10⅞-7½	7½-5⅞	7⅞-4½	7¾-5½	6¾-5	6-4¼	5¼-4¼	5⅞-4¼

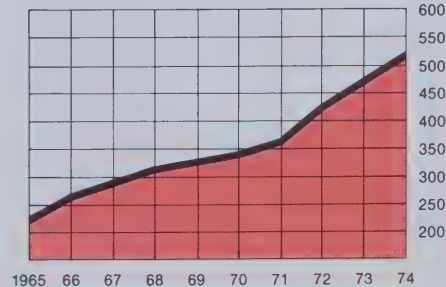
Shareholders' Equity
millions of dollars (book value)



Equity in net earnings
of Simpsons-Sears Limited
millions of dollars



Total assets
millions of dollars



Simpsons, Limited

Investment in Simpsons-Sears Limited

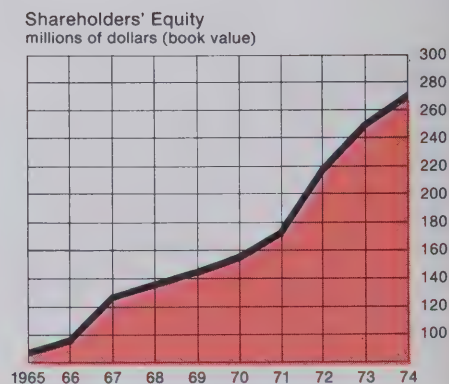
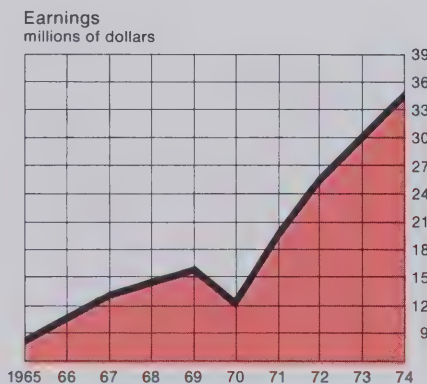
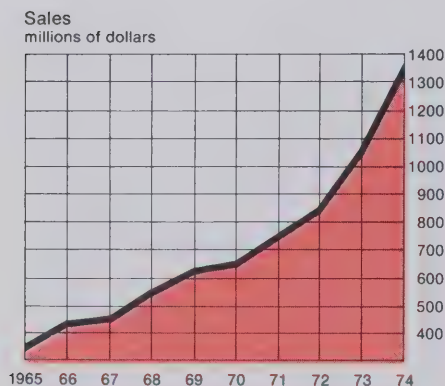
The importance of the decision taken by the Board of Directors of Simpsons, Limited in 1952 to expand across Canada by the formation of a new company called Simpsons-Sears Limited, in which Simpsons and Sears, Roebuck and Co., Chicago have an equal interest, is proven by the fact that our combined sales since then have increased from 200 million dollars to 1.84 billion dollars with a substantial increase in share of market. Our Simpsons shareholders' equity, including our equity in Simpsons-Sears Limited, has increased by 200 million dollars.

Simpsons-Sears Limited is our largest and most important investment — a total of \$40,551,000 having been invested in that company since 1953. Since that time we have received in cash dividends \$37,180,000 and have in undistributed earnings \$72,204,000 for a total of \$109,384,000. The total of Simpsons equity interest in earnings reported by Simpsons-Sears Limited in 1974 was \$14,227,000 or 30.3¢ per share. Dividends received during the year of \$6,020,000 represent a 14.8% return on Simpsons investment of \$40,551,000.



Simpsons-Sears Newmarket, Ontario store opened October 2nd, 1974

Simpsons-Sears Limited and Subsidiary Companies



Simpsons-Sears Limited
and Subsidiary Companies

Highlights

	1974	1973
Operating Results for the Fiscal Year		
Net sales, including rentals and other income	\$1,343,336,000	\$1,075,643,000
Cost and expenses	1,276,581,000	1,019,591,000
Earnings before income taxes	66,755,000	56,052,000
Provision for income taxes	34,620,000	27,974,000
Earnings from operations	32,135,000	28,078,000
Equity in earnings of associated companies	2,319,000	2,197,000
Net earnings	<u>\$ 34,454,000</u>	<u>\$ 30,275,000</u>
Per share	51¢	45¢
Simpsons equity in earnings	\$ 14,227,000	\$ 12,544,000
Simpsons share of dividends paid	\$ 6,020,000	\$ 5,034,000

Financial Position at Fiscal Year-End

Assets:

Current assets	\$ 655,244,000	\$ 545,264,000
Investments and other assets	31,733,000	25,892,000
Fixed assets, net	254,106,000	204,442,000
	<u>\$ 941,083,000</u>	<u>\$ 775,598,000</u>

Liabilities and Shareholders' Equity:

Current liabilities	\$ 311,445,000	\$ 259,110,000
Long term debt	342,423,000	254,073,000
Deferred income taxes	17,739,000	14,372,000
	671,607,000	527,555,000
Capital stock	121,724,000	119,831,000
Retained earnings	147,752,000	128,212,000
	<u>\$ 941,083,000</u>	<u>\$ 775,598,000</u>

Retail stores by provinces

Ontario	22	Retail Stores	51
British Columbia	7	Catalogue Centres	4
Quebec	7	Sales Offices	608
Alberta	6		
Saskatchewan	3		
New Brunswick	3		
Manitoba	2		
Newfoundland	1		

A copy of Simpsons-Sears Limited Annual Report for 1974 may be obtained by writing to the Secretary of Simpsons, Limited.

**Simpsons
Department
Stores (19)**

Toronto Area

Downtown
Yorkdale Shopping Centre
Cedarbrae Plaza
Fairview Mall
Sherway Gardens
Shoppers' World—Brampton
Scarborough Town Centre
Hillcrest Mall—Richmond Hill

Montreal Area

Downtown
Fairview-Pointe Claire Shopping Centre
Les Galeries d'Anjou
Le Carrefour Laval

Halifax Area

Mumford and Chebucto Roads
Micmac Mall—Dartmouth

Regina

Downtown

London

Downtown

Ottawa

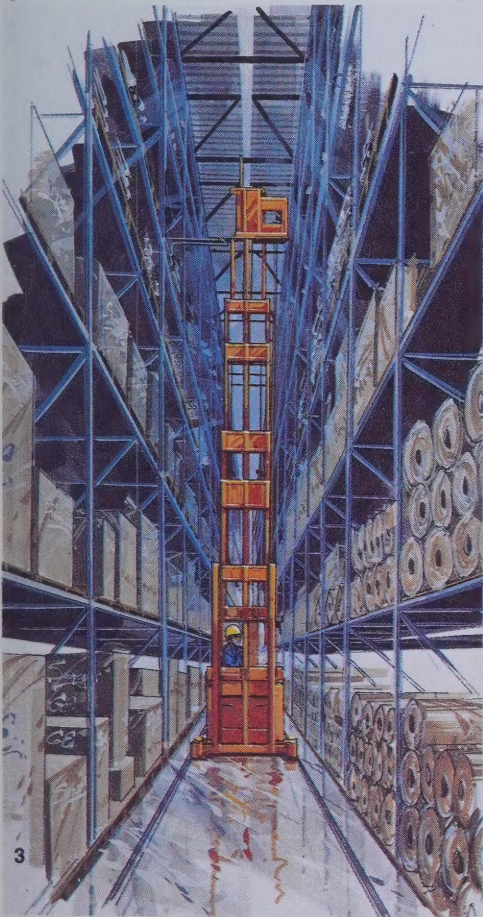
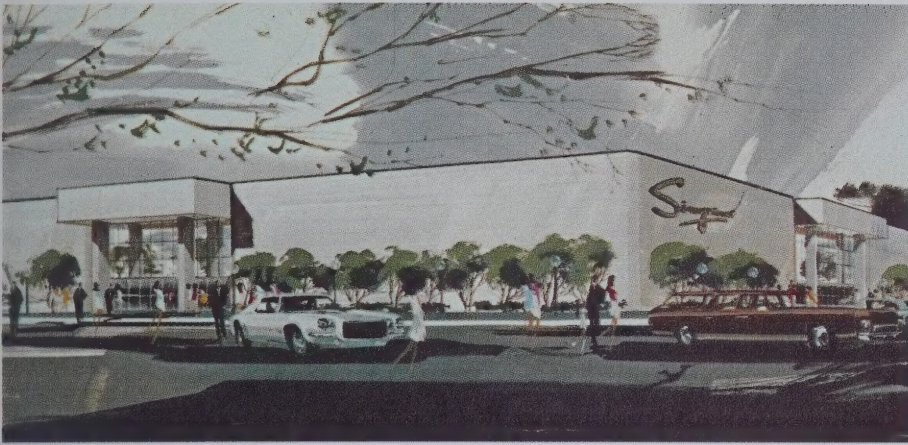
Downtown

Windsor

Devonshire Mall

Kitchener

Fairview Park Mall
opening in Summer 1975



1975 ... Another year of Simpsons major developments

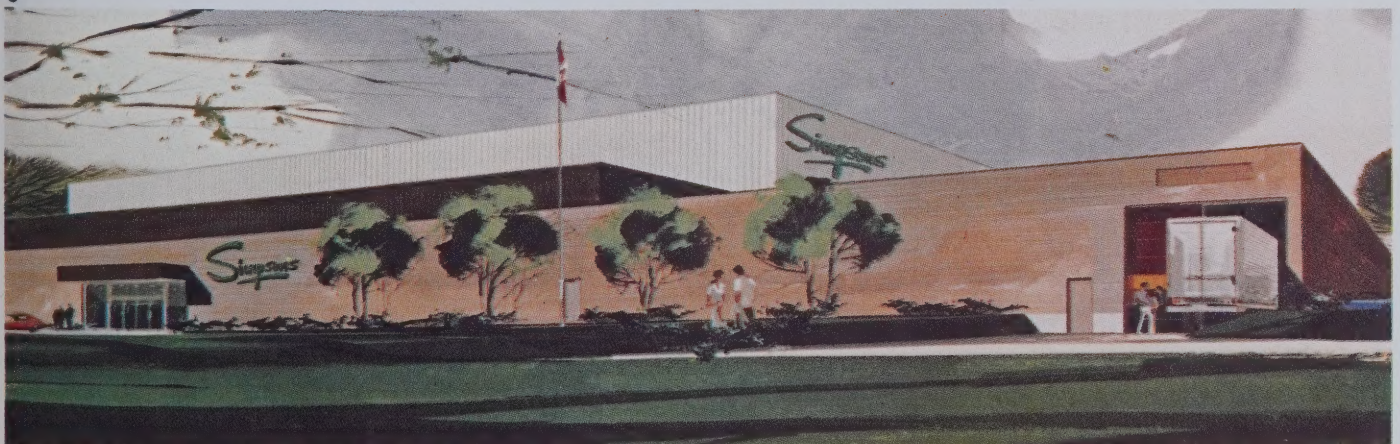
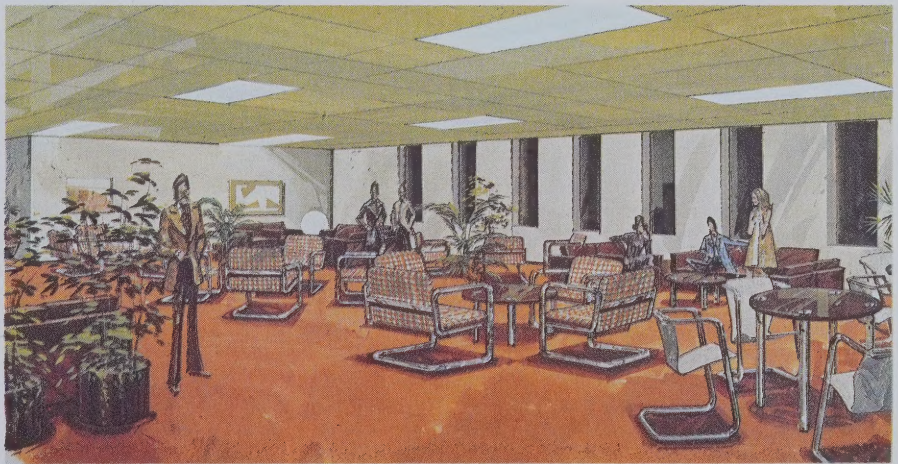
1. Simpsons Kitchener—the Company's 19th Store will open in the Fairview Park Mall in Summer 1975.

2. The Men's Custom Tailoring Shop in Simpsons Kitchener, reflecting Simpsons leadership in Men's fashion.

3. Specialized equipment will allow storage of merchandise up to a height of 40 feet in the new Metropolitan Distribution Centre.

4. Spacious, modern staff lounge, in the Distribution Centre.

5. Simpsons Metropolitan Distribution Centre, located in Scarborough, will serve the growing merchandise distribution needs of Simpsons Ontario Stores.



The logo for Simpson's, featuring the word "Simpsons" in a white, cursive script font. The logo is centered within a red, wavy horizontal band that spans the width of the page. The background of the entire page consists of alternating grey and white wavy horizontal stripes.

Simpsons

102 Years of serving Canadians